



TAPMI

NURTURING WEALTH CREATOR SERIES

## Management Studies:

# An Antidote to Scarcity Mentality

Dr. K. Sankaran



I would like to narrate a newspaper story I read a few years ago. An international team of businessmen were in an Asian country to negotiate a comprehensive deal on tapping some natural gas reserves. The negotiations broke down. At the time of returning to their home countries, the leader of the visiting team was asked by the press at the airport on what went wrong. His answer has an important lesson for all of us who want to extricate ourselves from a scarcity mindset that is something of a colonial hangover. He said something like this, "There was little in common between the two teams. The guys out here are NOT used to plenty. They negotiate from a position of scarcity."

A side comment, but a telling one. Getting trapped in a mindset on account of poverty and hunger is certainly understandable. But how about the intelligentsia that is well-fed and well-heeled? Scarcity mindset is an irony here, coming as it does from a land of rich myths with thousand noble characters. Remember Kunti, Yudhishtira, Arjuna and others?

The scarcity mindset has far-reaching implications. Take the case of competition. It is amazing how easily we understand the idea of competition; the problem is our understanding is convoluted! Competition can be on the Demand or the Supply side. On the Demand side, competitive mindset and scarcity are synonymous. There is intense rivalry in such things: whether it pertains to the ration card or the priority card, cooking gas connection, or making reservations at high places. While competition can exist on the Take side, there can be competition on the Give side too. This Supply side competition is something our society has not thought through adequately. That our market economics is predicated upon Supply side

competition (i.e., the Give side) is something we need to mull over and understand.

No doubt, in every transaction there is a give and take. Marketing may degenerate into taking over the territories to create unfair monopolies. It may result in taking over the mind of the customer by persuasive unethical propaganda. These are excesses which need regulation. However, let us not forget the fundamentals. The idea of marketing is rooted in the idea of keenly finding out what the consumer wants and giving choice to the customer, essentially ideas on the give side.

A predominantly Take mentality reduces us, both morally and spiritually. Scarcity becomes the Scarcity of the Mind. This manifests in many things. Take for instance the mark-up given by companies to salespersons. I have seen many local

companies having the mark-up percentage for volume slabs going down at higher absolute sales volume; a typical case of scarcity mentality on the part of companies. If the company's production function has diminishing marginal cost of production (which is the case with almost every production

functions these days), the company will be better off paying higher sales commission at higher slabs to a salesperson. This makes better sense for the company not only from an economic perspective but also from behavioural and motivational perspectives.

Was this the lesson taught to us in a different world two and half millenniums ago by Gautama Buddha who gave us lessons in three noble truths, the noble eightfold path, noble silence, the noble middle path and the noble ...?

**When scarcity mind dominates a society, it will be marked by a sense of helplessness, feeling of victimisation and throwback to top-down controls to achieve order.**



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A rude comment, but a telling one. Getting trapped into a mindset on account of poverty and hunger is certainly understandable. But how about the intelligentsia that is well-fed and well-heeled? Scarcity mindset is an irony here, coming as it does from a land of rich myths with a thousand noble characters. Remember Kunti, Yudhishtira, Karna and others?

The scarcity mindset has major implications. Take the issue of competition. It is amazing how easily we understand the idea of competition; the problem is that our understanding is convoluted! Competition can be on the Demand or the Supply side. On the demand side, competitive mindset and scarcity mentality are synonymous. There is intense rivalry to take things: whether it pertains to the ration card or the identity card, cooking gas connection, or making contacts at high places. While competition can exist on the Take side, there can be competition on the Give side too. This Supply side competition is something our society has not thought through adequately. That free market economics is predicated upon Supply side

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Prof. Sankaran is a Professor at TAPMI, Manipal and can be contacted at [sankaran@mail.tapmi.org](mailto:sankaran@mail.tapmi.org)



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# Competition is more than a scramble

By K. Sankaran

After decades of socialist rhetoric, our nation's grey (and greying?) cells are now getting stimulated with tons of free-market mumbo-jumbo. Ideas after ideas confuse and confound us. The worst of these 'idea marauders' is 'Competition.'

It is said that Darwin's theory of evolution is a difficult idea to grasp. Not so among our compatriots. Suddenly it seems such an obvious theory and we love him for it. To all of us in the subcontinent who are happy to be fed and clothed, Darwin's thesis echoes simplistically, monotonously and sweetly in our ears, all suitably adapted to the local milieu.

*The fittest shall survive.*

*None but the fittest shall survive.*

*The strong shall inherit.*

*None but the strongest shall inherit.*

*This blessed earth.*

*And all the material (and non-material) wealth.*

*The pious amongst us knoweth.*

The point is we do not understand what competition really means. For most, competition is still the zero-sum games that we all play under inadequate supply conditions, like those we experience with the great Indian train journey. The scramble for body space, leg space and luggage space all define competition for us. It is such raw forms of human exchange that condition our idea of competition. And we seem to have difficulty in coming out of this mindset.

True understanding of competition in the free-market economic sense, requires understanding of both demand and supply sides. On the supply side, collectively, we seem to lack a mature understanding of the freedom and dignity due to the supplier, the role of the entrepreneur, the freedom to carry on business unhindered by government agencies once the ground rules are specified, etc. Any minor misdemeanour by the supply class becomes a case of greed and an occasion to build further 'safeguards'. The cynical attitude is carried not only by politicians

and bureaucrats but also laypersons. For free market to succeed, we need to internalise that

1. The supplier is no saint. It requires the collective wisdom of the buyers to keep him on his toes. But, he is a necessary entity. The balance of power between the buyer and supplier keeps the system in fine mettle. Adopting market forces to mediate the economic affairs of society rather than leaving it to the machinations of politicians and the whims of bureaucrats requires this realistic understanding.

2. Long-term healthy suppliers would much rather seek out other combatants who are alive and healthy, so that they can enter into a social contract with them, without value-reducing hit-and-run guerrilla warfare (or, at the other extreme, cartelisation). Bad suppliers fight to the last and leave no fruits for anyone to enjoy.

3. Good suppliers automatically prevent bad suppliers from entering the arena. The dynamic balance of power between suppliers and buyers (and amongst suppliers) ensures a minimum entry barrier.

4. The supplier exists not because of an executive order from the government, but by the legitimisation provided by the buyer.

5. Applied to any society, the Competitive Paradigm carries bigger and nobler ideas of 'choice to the customer' or 'efficient utilisation of resources' 'enlightened civil society-backed businesses' etc. Competition as part of state policy, should only be a manifestation of higher societal norms.

6. True competition recognises 'the smart other'. This carries possibilities for cooperation. Within such recognition, resides possibilities for creating positive-sum games, with entities not traditionally thought of as partners. Cooperation need not be cartelisation.

If we understand competition properly, we will stop vulgarising Darwin's theory of evolution and more importantly, reap the benefits of free markets.

True competition is richer than minimal skirmishes that ordinary life presents.

Prof. K. Sankaran is a Professor at T. A. Pai Management Institute, Manipal and can be contacted at [sankaran@mail.tapmi.org](mailto:sankaran@mail.tapmi.org)

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